

December 17, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF AGREEMENT FOR PREDEVELOPMENT
SERVICES WITH THE HALL OF JUSTICE ASSOCIATES
(ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the attached Predevelopment Services Agreement in an amount not to exceed \$840,000 with the Hall of Justice Associates for services related to the proposed renovation of the Hall of Justice.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Following a Request for Proposal process, on November 20, 2001, the Board of Supervisors authorized the Chief Administrative Office to enter into exclusive negotiations with a developer, the Hall of Justice Associates (HOJA), for the rehabilitation and adaptive reuse of the Hall of Justice. The negotiations were intended to result in a lease agreement which would enable the developer to finance and complete the project without financial assistance from the County.

Since negotiations began in December of 2001, both parties have made substantial progress in defining the process through which the project will go forward and the responsibilities of each party. It has become clear to both parties that the lease we contemplate, which would allow the developer to access financing, cannot be signed until

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the environmental clearance process is concluded. It is also now known that an Environmental Impact Report (EIR) will be necessary rather than a less labor intensive Mitigated Negative Declaration (MND). The result is that project implementation will be delayed approximately one year while we go through the environmental clearance process. This is substantially longer than the five months from last December that the developer assumed would be necessary to finalize a lease.

We are recommending that the developer perform the environmental work through its staff and sub-consultants. Both parties agree that given the historic status of the Hall of Justice facility, the fact that funds from the Federal Emergency Management Agency (FEMA) require a parallel federal environmental assessment, and the complexity of the renovation project, the amount of CEQA/NEPA work will be significant. In addition it is critical that the developer and its sub-consultants be familiar with CEQA/NEPA conclusions when designing and constructing the improvements. This work effort will have value to the County with regards to the Hall of Justice project regardless of whether we are able to reach a successful conclusion to the negotiations with HOJA. The activities required to complete the CEQA/NEPA work and estimated maximum costs include:

EIR/EIS Scoping, Notice of Preparation, Notice of Intent, Development of Objectives	\$ 33,070
Development of Project Description, Alternatives	232,140
Technical Studies and Investigations	247,180
Project Description, Alternate Documents	23,640
Administrative Draft EIR/EIS	32,470
Project Description, Alternate Documents Public Draft EIR/EIS	29,370
Administrative Final EIR/EIS, Response to Public Comments	24,020

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Public Final EIR/EIS, Response to Public Comments	20,430
Environmental Certification, Project Management, Coordination and Administration	12,680
FEMA Approval	<u>50,000</u>
	\$705,000

The Predevelopment Services Agreement (PDSA) (Attachment II) provides that these activities will be completed by the developer and their sub-consultants and that HOJA will be reimbursed when work product is completed. The work product will then become the property of the County and could be used in an alternative project for renovation of the Hall of Justice, if necessary. A 15% contingency for the environmental work and a 25% contingency for the FEMA approval effort is recommended to be part of the contract for a total of \$840,000. Contingencies money can only be spent upon specific prior approval of the Chief Administrative Office.

Implementation of Strategic Plan Goals

The recommended action is in compliance with County Strategic Goal #4, "Fiscal Responsibility", by providing for investment in public infrastructure.

Strategic Asset Management Principles Compliance

The recommended action is in compliance with the Capital Principles section of the Strategic Asset Management Principles approved by your Board. Specifically, the proposed project addresses the capital principles of 1) ownership of long-term facilities, and 2) additional investment for priority owned facilities.

FISCAL IMPACT/FINANCING

The PDSA costs will be a dollar for dollar deduction from the estimated \$123 million price of the Hall of Justice refurbishment. This amount will not be included in the amount financed in the lease rate to be negotiated with the HOJA as part of the lease negotiation process. The contract cost will be funded from the Project and Facility Development budget.

Cost Neutrality

Our goal has been to identify a sufficient number of existing leases which could be cancelled in order to use the savings to pay for the new lease obligation for a refurbished Hall of Justice. To that end we have identified a tentative list of leases (Attachment I) for the Sheriff, District Attorney, Chief Administrative Office, Public Defender, Alternate Public Defender and Parks and Recreation which can be cancelled and the tenants moved to the Hall of Justice and other available County-owned space. Some of the personnel to be moved into the Hall, like the Sheriff's executive and Parks and Recreation staff, will come from County-owned space which will be either backfilled with other staff currently situated in cancelable leases or sold.

Additionally, we have identified one-time funds available for capital purposes to pay for space which cannot be supported by cancelled leases for the Sheriff and for the administrative personnel of the Parks and Recreation department. Surplus bond proceeds from the Twin Towers/Lynwood Detention Center project of \$20 million can provide for approximately 80,000 square feet for the Sheriff. The Sheriff's Department is paying the debt service on the jail bonds and federal tax law requires that the first priority for the expenditure of surplus bond proceeds be for related capital improvements (e.g. other Sheriff related uses).

The Parks and Recreation Department headquarters is inadequate for the departments' needs and should be replaced. The department has been actively pursuing a replacement headquarters for several years. We believe directing the department to existing County space in the Civic Center is an excellent solution for this need. A contribution of \$12 million from the Asset Development Improvement Fund (ADIF) can provide approximately 45,000 square feet of space for use as a department headquarters within the Hall of Justice. This allocation of one-time funds will avoid an annual principal and interest requirement for space at the Hall of Justice. Proceeds from the sale of the current headquarters will serve to partially replenish the ADIF funds. Funds previously deposited in ADIF have resulted primarily from the sale of surplus property for the specific purpose of supporting strategic capital acquisitions like a replacement Parks and Recreation headquarters.

Attachment I shows the cancelled lease savings compared to the cost of the new Hall of Justice lease (debt service) and associated utility, operations, maintenance and property management costs. The chart incorporates the reduced amount required to be financed by HOJA due to the \$32 million capital contribution for the Sheriff and Parks and Recreation departments.

While there is an initial annual deficit of \$1.2 million due to operating costs, this amount declines steadily over the next eleven years and then turns into a surplus. Due to the escalating nature of most existing leases, the transition to a fixed annual lease cost for the Hall of Justice results in a present value savings of \$18.7 million over the next 40 years. This time frame was used due to the expected life of the mechanical systems being installed in the building. The structural and restoration work to be done to the building have an indefinite expected life.

While the estimated project cost of \$123 million is being used for planning purposes, it is our firm intention to diligently pursue value engineering and other cost reduction efforts to reduce the total cost. The HOJA is committed to collaborate with the County in the effort to achieve this goal.

Risk Issues

As the negotiations with the HOJA have progressed, it has become apparent that the developer is being exposed to more risk than was initially anticipated by either the County or the developer. Specifically, the length of time it will take to complete the environmental process coupled with the possibility that the County could elect not to proceed with execution of a lease due to financial considerations has increased the risk profile of the developer's role. As a result, we have agreed to consider another agreement which would reimburse the HOJA for a certain portion of their costs **if** the County elects to end lease negotiations due to no fault of the developer. This agreement will be negotiated and brought back for the Board's consideration in the near future.

The estimated project cost of \$123 million is not a guaranteed maximum price at this time and the developer has identified three risk factors which could influence that cost. The first factor is the potential that the County will require additions to the project scope. The second is the potential for acts of *force majeure* which are beyond the control of the County or the developer. Thirdly, the developer has made certain assumptions about the Hall of Justice structure which will be tested in the first phase of the project. The assumptions will have to be proven during the initial investigations by the developer gaining access to the building. The developer believes that through redesign and value engineering that any cost increases resulting from incorrect assumptions can be mitigated.

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ENVIRONMENTAL DOCUMENTATION

The recommended action does not require environmental documentation. The PDSA will result in the completion of the environmental process and County ownership of key technical studies and documents which would support a renovation project at the Hall of Justice.

CONTRACTING PROCESS

The HOJA was selected as a result of a Request for Proposal process.

IMPACT ON CURRENT SERVICES

None.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
JSE:mc

- c. County Counsel
Sheriff
Parks and Recreation
Hall of Justice Associates